
Methods and Standards for Reasonable Cost-Related
Reimbursement for Intermediate Care Facilities for the Mentally
Retarded and Persons with Related Conditions

Categories of Recipients

Pennsylvania has established its Medical Assistance Long Term Care Program based on recipient characteristics, and the special service needs of the recipients. One of the categories of recipients is mentally retarded persons and persons with similar conditions, who by reason of their dysfunction, require higher levels of supporting and ancillary services in addition to care normally provided in a nursing facility. Persons with other related conditions are persons with severe physical disabilities, such as cerebral palsy, spina bifida, epilepsy or other similar conditions which are diagnosed prior to age 22 and result in at least three substantial limitations to activities of daily living.

Classes of Long Term Care Facilities

For purposes of reimbursement, long term care facilities are grouped in various classes based on the category of recipient need: One statewide class is intermediate care facilities providing long term care for mentally retarded persons (ICFs/MR), including ICFs/MR for persons with other related conditions (ICFs/ORC). ICFs/MR include state operated ICFs/MR, non-State operated ICFs/MR, and intermediate care facilities providing long term care for persons with other related conditions (ICFs/ORC).

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Methods and Standards for Reasonable Cost-Related
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Retarded and Persons with Related Conditions

Cost Finding

State-operated ICFs/MR

All state-operated ICF/MR facilities participating in the Medical Assistance program are required to use the direct allocation method of cost finding. Under this method of cost finding, net operating costs, as defined by regulations, are allocated between nursing services and non-nursing services based upon statistical data.

Allowable depreciation and interest on capital indebtedness is identified by facility and is also allocated to nursing and non-nursing services based upon specified statistical data.

Allowable costs and the results of the cost finding process are reported electronically on forms specified by the Department of Public Welfare. All facilities are required to maintain records for a minimum of four years.

Non-State ICFs/MR and ICFs/ORC

All non-state ICFs/MR and ICFs/ORC, are required to use the direct allocation method of cost finding.

For purposes of Medical Assistance reimbursement, the return on net equity and net worth is not reimbursable.

For non-state ICFs/MR and ICFs/ORC, allowable costs and the results of the cost finding process are reported on forms specified by the Department of Public Welfare. All facilities are required to maintain records for a minimum of four years following submission of the report.

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Rate Setting

Separate rates of reimbursement are established for intermediate care facilities for the mentally retarded (ICFs/MR) and ICFs/ORC based on cost finding performed for each facility in that class.

State-Operated ICFs/MR

State operated ICFs/MR are reimbursed for their actual allowable net operating costs. This is done in recognition of the unique service needs of recipients in these facilities.

Non-State Operated ICFs/MR and ICFs/ORC

Non-state operated ICFs/MR and ICFs/ORC are reimbursed actual allowable costs up to the limit of a total projected operating cost or an approved budget level set in accordance with 55 Pa. Code Chapter 6211.

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For non-state ICFs/MR and ICFs/ORC, allowable reimbursement for depreciation and interest is included within the limits of the total projected operating cost, or the approved budget level in accordance with Chapter 6211, Section 6211.41.

An efficiency incentive is allowable for non-state ICFs/MR and ICFs/ORC in accordance with Chapter 6211, Section 6211.17.

Payments

State-Operated ICFs/MR

Payments are made to each state-operated ICF/MR facility based on an interim per diem rate multiplied by number of days of care provided to eligible clients. At the close of the facility's year, payments are adjusted to reflect allowable costs as established for state-operated ICF/MR facilities, and an interim settlement is effected. All of these facilities are reviewed on a fiscal year basis by an independent agency, and upon completion of the audit, a final settlement payment is completed.

Non-State Operated ICFs/MR and ICFs/ORC

Payments are made to non-state ICFs/MR and ICFs/ORC based on an interim per diem rate, multiplied by the number of days of service provided to eligible recipients. At the close of the fiscal year, following audit and final cost settlement, each facility will be reimbursed allowable operating costs, including allowable depreciation and interest on capital indebtedness, up to the approved total projected operating cost, or if a waiver of the standard interim rate was granted, allowable costs will be reimbursed up to the limit of an approved budget, in accordance with 55 PA Code Ch 6211, Section 6211.18 and 6211.34.

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Allowable Cost Standards

State-Operated ICFs/MR

In identifying items of allowable costs for state-operated facilities for mentally retarded persons, Pennsylvania's "Cost Apportionment Manual for State Mental Hospitals and Mental Retardation Centers" (Manual) will be used where applicable. If the Manual does not address a particular cost, the Federally approved Departmental Indirect Cost Allocation Plan/Statewide Indirect Cost Allocation Plan (DICAP/SWICAP) will be followed. If none of these addresses a particular cost, Medicare full cost principles will be used.

Non-State Operated ICFs/MR and ICFs/ORC

Allowable costs for non-state operated ICFs/MR and ICFs/ORC are defined in Chapter 6211, Allowable Cost Reimbursement for non-State Operated ICFs/MR. In addition to Chapter 6211, the Medicare Provider Reimbursement Manual (HIM-15) also applies for costs that are included in Chapter 6211 as allowable and for reimbursable costs that are not specifically addressed in Chapter 6211. If Chapter 6211 is inconsistent with HIM-15, Chapter 6211 prevails.

For non-state ICFs/MR and ICFs/ORC, depreciation and interest are reimbursed inclusively, and applicable limits are contained in Chapter 6211, Section 6211.79 and 6211.81.

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Auditing

State-Operated ICFs/MR

The financial and statistical records for state-operated ICF/MR facilities are audited annually in accordance with Government Auditing Standards by the Comptroller's Office, and allowable financial costs relating to medical assistance are adjusted accordingly.

Non-State Operated ICFs/MR and ICFs/ORC

For non-state ICFs/MR and ICFs/ORC, the financial and statistical records for each facility are verified annually by the Department's Bureau of Financial Operations through either a desk review or a field audit.

Final cost settlement for each facility is limited allowable costs as determined by either the desk review or field audit.

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STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
STATE: COMMONWEALTH OF PENNSYLVANIA

ATTACHMENT 4.19D
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Related Provisions

Supplement I is the Department's regulations. Chapter 6211, governing rate setting and reimbursement to non-state ICFs/MR and ICFs/ORC.

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METHODS AND STANDARDS FOR REASONABLE COST-RELATED
REIMBURSEMENT FOR LONG TERM CARE FACILITIES

Categories of Recipients

Pennsylvania has established its Medical Assistance Long Term Care Program based on recipient characteristics, and the specialized service needs of the recipients. One category of recipients is individuals who were formerly receiving inpatient psychiatric care and, therefore, require socialization and therapy services above those normally provided in general nursing facilities.

Classes of Long Term Care Facilities

For purposes of reimbursement, long term care facilities are grouped in various classes based on the category of recipient need. A statewide class is established for facilities which are operated solely for the purpose of providing long term care for the transition of recipients from extended inpatient psychiatric care to less restrictive alternative settings in state-operated long term care facilities herein designated as state-operated psychiatric aftercare nursing facilities.

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METHODS AND STANDARDS FOR REASONABLE COST-RELATED
REIMBURSEMENT FOR LONG TERM CARE FACILITIES

Cost Finding

All state-operated psychiatric aftercare nursing facilities participating in the Medical Assistance program are required to use the direct allocation method of cost finding. Under this method of cost finding, net operating costs are allocated between nursing facility services and nonnursing facility services based on specified statistical data.

Allowable depreciation and interest on capital indebtedness is identified by facility, and is also allocated to nursing and nonnursing services based upon specified statistical data.

Allowable costs and the results of the cost finding process are reported electronically on forms specified by the Department of Public Welfare. All facilities are required to maintain records for a minimum of four years.

Rate Setting

Separate rates of reimbursement are established for state-operated psychiatric aftercare nursing facilities based on the cost finding performed for each facility in that class. State-operated psychiatric after care nursing facilities employ a single rate based on the actual allowable cost. Applicable depreciation and interest on capital indebtedness is incorporated as an allowable element in the single rate.

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REIMBURSEMENT FOR LONG TERM CARE FACILITIES

Payments

Payments are made to each state-operated psychiatric aftercare nursing facility based on an interim per diem rate multiplied by number of days of care provided to eligible clients. At the close of the facility's year, payments are adjusted to reflect allowable costs as established for state-operated psychiatric aftercare nursing facilities, and an interim settlement is effected. All of these facilities are reviewed on a fiscal year basis by an independent agency, and upon completion of the audit, a final settlement payment is completed.

Allowable Cost Standards

In identifying items of allowable costs for state-operated psychiatric aftercare nursing facilities, Pennsylvania's "Cost Apportionment Manual for State Mental Hospitals and Mental Retardation Centers" (Manual) will be used where applicable. If the Manual does not address a particular cost, the federally approved Departmental Indirect Cost Allocation Plan/Statewide Indirect Cost Allocation Plan (DICAP/SWICAP) will be followed. If none of these addresses a particular cost, Medicare full cost principles will be used.

Auditing

The financial and statistical records for state-operated psychiatric aftercare nursing facilities are audited annually in accordance with Government Auditing Standards by the Comptroller's Office, and allowable financial costs relating to Medical Assistance are adjusted accordingly.

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